

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

ASSETS	December 31, 2022	December 31, 2021
Current assets:		
Cash and cash equivalents	\$ 9,245	\$ 21,626
Restricted cash equivalents	—	460
Accounts receivable, net of allowances of \$109 as of December 31, 2022 and December 31, 2021	3,414	2,060
Prepaid expenses	2,514	1,276
Contract assets	1,671	54
Other current assets	859	1,995
Total current assets	17,703	27,471
Restricted cash equivalents, non-current	230	736
Right-of-use assets	8,119	10,291
Property and equipment, net	3,447	6,155
Deferred tax asset	55	2,169
Contract assets, non-current	7,041	—
Other non-current assets	1,656	2,381
Total assets	\$ 38,251	\$ 49,203
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,798	\$ 3,760
Accrued liabilities	7,462	7,298
Operating lease liabilities	3,282	3,281
Finance lease liabilities	160	1,301
Income tax liability	1,314	2,737
Deferred revenue	5,812	6,042
Convertible note	—	29,868
Derivative liability	—	3,488
Notes payable	16,668	29,964
Total current liabilities	37,496	87,739
Operating lease liabilities, net of current portion	5,715	8,611
Finance lease liabilities, net of current portion	128	292
Deferred revenue, net of current portion	7,543	14,959
Notes payable, net of current portion	18,299	—
Other non-current liabilities	4,295	1,336
Total liabilities	73,476	112,937
Commitments and contingencies (Note 7)		
Legacy SoundHound redeemable convertible preferred stock; \$0.0001 par value; 0 and 146,218,514 shares authorized; 0 and 106,949,326 shares issued and outstanding, liquidation preference of \$0 and \$284,826 as of December 31, 2022 and December 31, 2021, respectively	—	279,503
Stockholders' deficit:		
Legacy SoundHound Common Stock, \$0.0001 par value; 250,030,433 shares authorized; 0 and 68,258,556 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	—	1
Class A Common Stock, \$0.0001 par value; 455,000,000 shares authorized; 160,297,664 and 0 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	16	—
Class B Common Stock, \$0.0001 par value; 44,000,000 shares authorized; 39,735,408 and 0 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	4	—
Additional paid-in capital	466,857	43,491
Accumulated deficit	(502,102)	(386,729)
Total stockholders' deficit	(35,225)	(343,237)
Total liabilities, redeemable convertible preferred stock, and stockholders' deficit	\$ 38,251	\$ 49,203

SOUNDHOUND AI, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS

(In thousands, except share and per share data)

	Year Ended December 31,	
	2022	2021
Revenues	\$ 31,129	\$ 21,197
Operating expenses:		
Cost of revenues	9,599	6,585
Sales and marketing	20,367	4,240
Research and development	76,392	59,178
General and administrative	30,178	16,521
Total operating expenses	136,536	86,524
Loss from operations	(105,407)	(65,327)
Other expense, net:		
Interest expense	(6,893)	(8,342)
Other expense, net	(184)	(5,415)
Total other expense, net	(7,077)	(13,757)
Loss before provision for income taxes	(112,484)	(79,084)
Provision for income taxes	2,889	456
Net loss	(115,373)	(79,540)
Other comprehensive gain:		
Unrealized holding gain on available-for-sale securities, net of tax	—	1
Comprehensive loss	\$ —	\$ (79,539)
Net loss per share:		
Basic and diluted	\$ (0.73)	\$ (1.18)
Weighted-average common shares outstanding:		
Basic and diluted	157,317,695	67,255,538

SOUNDHOUND AI, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (115,373)	\$ (79,540)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,037	5,502
Stock-based compensation	28,792	6,322
Change in fair value of derivative and warrant liability	606	4,920
Amortization of debt issuance costs	2,287	4,746
Non-cash lease amortization	3,970	3,586
Deferred income taxes	2,114	113
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,354)	1,515
Prepaid expenses	(1,238)	(168)
Other current assets	299	(917)
Contract assets	(8,658)	—
Other assets	(539)	(1,470)
Accounts payable	302	424
Accrued liabilities	116	3,671
Operating lease liabilities	(4,693)	(3,565)
Deferred revenue	(7,646)	(10,281)
Other liabilities	2,959	(1,035)
Net cash used in operating activities	<u>(94,019)</u>	<u>(66,177)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,329)	(636)
Net cash used in investing activities	<u>(1,329)</u>	<u>(636)</u>
Cash flows from financing activities:		
Proceeds from issuance of convertible notes, net of issuance costs	—	14,905
Proceeds from note payable, net of issuance costs	—	29,833
Proceeds from the issuance of common stock upon exercise of options	4,160	2,490
Proceeds from Business Combination and PIPE, net of transaction costs	90,689	—
Payments on notes payable	(11,545)	—
Payments on finance leases	(1,303)	(2,575)
Net cash provided by financing activities	<u>82,001</u>	<u>44,653</u>
Net change in cash, cash equivalents, and restricted cash equivalents	(13,347)	(22,160)
Cash, cash equivalents, and restricted cash equivalents, beginning of year	22,822	44,982
Cash, cash equivalents, and restricted cash equivalents, end of year	<u>\$ 9,475</u>	<u>\$ 22,822</u>
Reconciliation to amounts on the consolidated balance sheets:		
Cash and cash equivalents	\$ 9,245	\$ 21,626
Current portion of restricted cash equivalents	—	460
Non-current portion of restricted cash equivalents	230	736
Total cash, cash equivalents, and restricted cash equivalents shown in the consolidated statements of cash flows	<u>\$ 9,475</u>	<u>\$ 22,822</u>

SOUNDHOUND, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS — Continued

For the Year Ended December 31, 2022 and 2021

(In thousands)

Supplemental disclosures of cash flow information:

Cash paid for interest	\$ 3,425	\$ 2,631
Cash paid for income taxes	\$ 1,044	\$ 263
Noncash investing and financing activities:		
Operating lease liabilities and right-of-use assets through adoption of ASC 842	\$ —	\$ 11,428
Operating lease liabilities arising from obtaining right-of-use assets	\$ 650	\$ 3,422
Property and equipment acquired under finance leases or debt	\$ —	\$ 584
Conversion of convertible note into common stock pursuant to Business Combination	\$ 20,239	\$ —
Conversion of redeemable convertible preferred stock to common stock pursuant to Business Combination	\$ 279,503	\$ —
Debt discount through issuance of common stock warrants	\$ —	\$ 3,842
Non-cash debt discount	\$ —	\$ 525
Issues of series C redeemable convertible preferred stock for exercise of warrants	\$ —	\$ 5,816

The accompanying notes are an integral part of these consolidated financial statements.